

HOUSE OF COMMONS

SESSION 1997-98

**INTERNATIONAL DEVELOPMENT
COMMITTEE**

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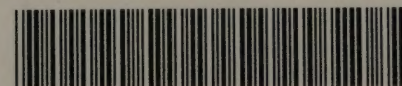
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Second Special Report**GOVERNMENT RESPONSE TO THE
SECOND REPORT FROM THE
COMMITTEE, SESSION 1997-98:****THE DEVELOPMENT WHITE PAPER**

*Ordered by The House of Commons to be printed
18 March 1998*

LONDON: THE STATIONERY OFFICE
£3.40



The International Development Committee is appointed under Standing Order No. 152 to examine the expenditure, administration and policy of the Department for International Development.

The Committee consists of a maximum of 11 Members, of whom the quorum is three. Unless the House otherwise orders, all Members nominated to the Committee continue to be members of it for the remainder of the Parliament.

The Committee has power:

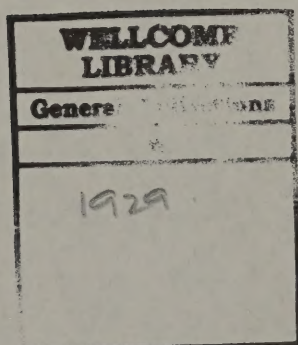
- (a) to send for persons, papers and records, to sit notwithstanding any adjournment of the House, to adjourn from place to place, and to report from time to time;
- (b) to appoint specialist advisers either to supply information which is not readily available or to elucidate matters of complexity within the Committee's order of reference;
- (c) to communicate to any other committee appointed under the same Standing Order (and to the Committee of Public Accounts, the Deregulation Committee and the Environmental Audit Committee) its evidence and any other documents relating to matters of common interest;
- (d) to meet concurrently with any other such committee for the purposes of deliberating, taking evidence, or considering draft reports.

The membership of the Committee since its nomination on 14 July 1997 is as follows:

Mr Dennis Canavan
Ann Clwyd
Ms Barbara Follett
Mr Bernie Grant
Mr Piara S Khabra
Ms Oona King

Mrs Tess Kingham
Mr Andrew Robathan
Mr Andrew Rowe
Dr Jenny Tonge
Mr Bowen Wells

Mr Bowen Wells was elected Chairman 16 July 1997.



SECOND SPECIAL REPORT

The International Development Committee has agreed to the following Special Report:—

THE DEVELOPMENT WHITE PAPER

1. The International Development Committee reported to the House on The Development White Paper in its Second Report of Session 1997-98, published on Monday 22 December 1997. The Government response to that Report was received on Wednesday 11 March 1998. It is reproduced as an Appendix to this Special Report.

2. The Development White Paper, the Committee's Second Report of this Session, and the Government response to that Report constitute an important body of work on development issues. We remain concerned that there has as yet been no debate in the House on the contents of the White Paper. This omission should be remedied as soon as possible. If the Government genuinely attaches importance to international development and the elimination of world poverty, it should be willing to find parliamentary time to debate these matters. **We recommend that a debate take place in the House as soon as possible in Government time on the contents of the Development White Paper.**

APPENDIX

**THE GOVERNMENT'S RESPONSE TO THE INTERNATIONAL
DEVELOPMENT COMMITTEE'S SECOND REPORT OF 1997-98:
THE WHITE PAPER ON INTERNATIONAL DEVELOPMENT**

Memorandum from the Secretary of State for International Development

The Government welcomes the Report from the International Development Committee in Session 1997-98 on the White Paper on International Development. Detailed points raised in the Committee's Report are dealt with below.

INTERNATIONAL DEVELOPMENT AND WHITEHALL

Paragraph 1: Recommendation 1

International development must be at the centre of all government policy, not just a well-meaning afterthought. It is an essential part of responsible planning for the future of our own country.

The Government fully agrees that international development must be an integral part of government policy. Preparation of the White Paper involved detailed discussions among departments which are continuing to work closely together to ensure a coherent approach to development.

The favourable response to our White Paper both from the international community (including the multilateral development organisations), and from other bilateral donors, has been very encouraging and puts us in a strong position to persuade and influence others to take a similarly focused approach, with a particular emphasis on poverty elimination.

Paragraph 3: Recommendation 2

We welcome the creation of DFID. We believe that it will give new focus to the United Kingdom's development activity and also inject greater sensitivity to development issues throughout Whitehall.

The Government shares the view of the Committee that the creation of DFID gives clarity and focus to the UK's development policies and will raise the profile of development issues throughout Whitehall and more widely.

INTERNATIONAL DEVELOPMENT AND WHITEHALL

Paragraph 9: Recommendation 3

We recommend that the Secretary of State for International Development be a full member of the Cabinet Committee on Defence and Overseas Policy.

The Government notes the recommendation. The Prime Minister keeps the membership of all Cabinet Committees under regular review. He prefers the composition of DOP to remain as it is, as a high-level strategy Committee. The Secretary of State for International Development will continue to be invited to attend whenever issues of relevance to her portfolio are considered.

Paragraph 10: Recommendation 4

We recommend that the departmental reports of other government departments, including the FCO, the Treasury, DTI, MAFF, DfEE, DH and DETR, all include a section on how their policy and activities have promoted international development and the elimination of poverty. We intend from timetotimetotakeevidencefromthethismatter.

The Government agrees that it would be useful for those government departments whose work has a significant development aspect to cover the subject in their departmental reports.

THE ELIMINATION OF POVERTY

Paragraph 11: Recommendation 5

The concern to eliminate poverty provides an admirable focusing of our development efforts on the truly important.

The Government welcomes the Committee's endorsement of the aim to eliminate poverty in poorer countries. The Government has pledged to measure the effectiveness of its development efforts against

internationally agreed development targets, including halving the proportion of the world's population living in extreme poverty by 2015. Sometimes our efforts will directly target poor people. Sometimes our efforts will support wider policies which promote sustainable economic growth and protect human rights of all. We will work through our own programmes but also seek to increase our influence with the multilateral institutions to strengthen the commitment of the international system to meeting the international poverty eradication targets. In all cases, the Government will seek to ensure that these efforts contribute positively to the elimination of poverty.

Paragraph 15: Recommendation 6

We recommend that in the office of the United Kingdom Representative to the European Commission in Brussels there be personnel and input from DFID at the highest level to ensure progress in the reform of the European Union development programme. This should be at the same level as DFID's representation at the World Bank.

There are currently two DFID officers in UKRep Brussels. One of these is a new Second Secretary post created since the publication of the White Paper. The other is a First Secretary post. The grading of which was increased from A2 to A1 (previously G7 to G6) when the current incumbent took up her position in the third quarter of 1997. DFID staffing in UKRep Brussels has therefore been strengthened considerably in the last six months. The Government nonetheless takes note of the Committee's recommendation.

Paragraph 16: Recommendation 7

We recommend that the United Kingdom press for the adoption of the DAC targets by the European Union.

We believe that the adoption of the DAC targets by the European Union must be in the context of a new coherent development policy. The European Union needs its own "Development White Paper" and the United Kingdom should work for one in 1998.

The Government agrees that we should press for adoption of the international development targets by the EU. We aim to pursue this during our Presidency by hosting a seminar for Development Ministers in the member states, appropriate Commissioners and members of the European Parliament's Development Committee on the 21st century strategy and targets. We are also pressing for appropriate references to the targets in the negotiating mandate for the Lomé re-negotiation. The Government notes the Committee's suggestion that the EU should have its own "Development White Paper".

Paragraph 17: Recommendation 8

We recommend that the OECD be encouraged to produce interim development targets for international agreement.

The Government agrees with the Committee about the need to track progress towards the international development targets. We are contributing to work going on in the OECD, UN and World Bank on how to measure progress against the main targets. A February 1998 seminar under the auspices of OECD, UN and World Bank was an important step in formulating detailed proposals.¹

Paragraph 23: Recommendation 9

We invite the Government to explain what formal relationship they propose between the Multilateral Agreement on Investment and the OECD Guidelines on Multinational Enterprises and whether they support the formal incorporation of the Guidelines into the MAI.

The Government believes that the OECD Guidelines should be annexed to the text of the MAI. This will not alter the voluntary nature of the Guidelines, which will not be subject to dispute settlement. But in raising the profile of the Guidelines in relation to the MAI, we believe that the MAI will help to promote the observance of labour and environmental standards in business. This

¹ Note: Seminar held in Paris, 16–17 February 1998.

reflects the government's commitment to ethical business and the development of voluntary codes of conduct in this area. A review of the Guidelines will take place later in 1998.

Paragraph 24: Recommendation 10

The British Government had "put in reservations on the MAI on the question of poor labour standards and environmental protection to make sure that countries are not driven into creating incentives to attract investment that mean constantly cutting labour standards or cutting environmental standards". We welcome this concern to protect core labour and environmental standards.

The Government shares the Committee's concern for the protection of core labour and environmental standards under the Multilateral Agreement on Investment (MAI). This is to be achieved through three "anchors": the Preamble to the Agreement, the association of the OECD Guidelines for Multinational Enterprises, and a clause on "not lowering standards". On this last provision, the Government is supporting a binding obligation not to derogate from labour or environmental standards in order to attract a specific investment. In addition, we are working with our negotiating partners to make it clear that the MAI should not interfere with the ability of governments to regulate in a non-discriminatory way to protect labour or environmental standards.

Paragraph 25: Recommendation 11

We recommend that the Government provide more detail of its macroeconomic policy, and in particular the advantages and disadvantages of globalisation and the kinds of pro-poor policy which can be adopted to avoid marginalisation. We also recommend that the Government press for "poverty audits" to be applied to the proposals and structural adjustment programmes of multilateral institutions such as the IMF and the World Bank.

The Government notes the Committee's concern for clarification in matters of macroeconomic policy and refers it to the note submitted by the Department to the Lomé Hearing (10 December 1997). Globalisation offers our partner governments an opportunity to engage in trade and to attract the investment which can help generate broad-based sustainable development. We share the Committee's concerns about the dangers of marginalisation. DFID is currently leading efforts to take forward recommendations from a recent High Level Meeting hosted by the WTO to enhance market access and provide technical assistance for the least developed countries. DFID is also involved with the Commonwealth Trade and Investment Access Facility and a UNCTAD/ITC/WTO initiative which provides a broad programme of assistance to eight African countries.

The Government welcomes the Committee's recommendation for assessment of the poverty implications of stabilisation and adjustment packages. DFID has been working with other donors within the Special Programme for Africa to improve the treatment of poverty in adjustment, especially within the poverty and social policy working group which we co-chair with the World Bank. This group both identifies and communicates good practice approaches to the treatment of poverty, and seeks to monitor trends in poverty and the evidence on the effects of policy change. As part of this effort, DFID has for the last three years reviewed the treatment of poverty and gender issues in World Bank adjustment credit and policy frameworks for the poorest African nations. These issues are also addressed via our efforts at meetings of the Executive Board to improve Bank practice. There has been evidence of positive change in the last year.

The Secretary of State for International Development met the IMF's Managing Director, Michel Camdessus, on 20 February, and stressed the importance we attach to the attainment of the international development targets. She welcomed the emphasis Mr Camdessus placed on promoting high quality growth and reducing poverty at last year's IMF/World Bank Annual Meetings, and encouraged him to look at how the IMF could co-operate further with the World Bank and other international financial institutions to tackle poverty. A report by external evaluators of the IMF's Enhanced Structural Adjustment Facility (ESAF), looking particularly at the impact of economic reform programmes on different poor groups, is to be considered by the IMF Board in March. DFID is studying the results carefully, and will be working with the Treasury (which leads within HMG on the IMF) on the UK's response. The Government has also made proposals for improving the process by which the IMF, governments and donors work together in aid dependent countries.

Paragraph 26: Recommendation 12

We would welcome an account by DFID of how they intend to assist the small scale and informal economies of the developing world and how DFID can encourage the provision of micro-credit, in particular to women.

DFID has a well developed programme of assistance for small enterprises, which delivers support in three ways. DFID provides direct non-financial support, helps to develop financial services (for example micro-credit) and helps to create an enabling regulatory environment for private enterprise. In these three areas the total value of DFID's portfolio of projects is currently over £110 million.

Since 1990 DFID has made vigorous efforts to promote micro-finance (this includes micro-credit but also *savings* institutions which are found to be of particular significance for the poor), for example in East Africa and South Asia. This year our portfolio stands at nearly £42 million. Most of our funds go towards building strong and accountable institutions which can provide savings and lending services to their clients in a sustainable way. DFID is working closely with the World Bank-led Consultation Group to Assist the Poorest (CGAP) to achieve common standards of best practice in micro-finance which all donors can adhere to.

Though research has shown that access to micro-finance can improve the status of poor women, this is not always the case. DFID's gender equality strategy will enable us to build further on the work we have already done to improve poor women's access to credit. We will continue to fund research in order to improve our understanding of this important issue.

Paragraph 27: Recommendation 13

We look forward to the creation of specific programmes to assist women, to the establishment of gender-specific targets within development programmes, and to an assessment of the effect on women to be included in all evaluation of development assistance.

The Government is pursuing a "twin-track" approach to promoting gender equality in its development assistance programmes. We are enhancing our direct assistance to women, especially poor women, in developing countries. We continue to "mainstream", that is actively take into account in all our development work the needs of women as well as men. We are working within the DAC to ensure that the measurement of progress towards the achievement of the 21st century targets includes provision for measurement of progress on gender issues wherever possible. This includes disaggregation of figures relating to men and women. We will continue to develop the use of gender sensitive indicators in our bilateral work. All evaluation studies carried out by DFID already include a consideration of gender effects. DFID's Evaluation Department will be starting work in 1998/99 on a major evaluation study of our gender work to date.

TARGETS

Paragraph 30: Recommendation 14

Great improvements can no doubt be achieved through effective development policy. This should not blind us to the continuing need for more money to fund the development programme. On that point the White Paper remains unacceptably reticent. We recommend that the Government commit itself to an expenditure of at least 0.37 per cent of GNP on official development assistance by the end of this Parliament.

The Government agrees with the Committee's conclusion that there is a good case for additional resources to support the Government's international development strategy, and to make progress toward the international development targets. Equally important as increasing the volume of UK development resources, is using those resources effectively to tackle poverty. There is no quick fix.

The Government has made its commitment to 0.7 per cent UN target clear, and will begin to reverse the decline in the aid budget during the current Parliament. Decisions on the future levels of aid spending will be announced at the conclusion of the Comprehensive Spending Review.

Paragraph 31: Recommendation 15

We recommend that targets for DFID's bilateral programmes and performance against those targets be published in the annual reports. We recommend that the Government also provide regular information on how its bilateral programmes, and in particular technical assistance, have reduced

poverty. We recommend that the Government commit itself to the 20/20 initiative and provide the Committee with information on how this target can be integrated into the agreed country programmes.

The Government shares the Committee's view on the publication of targets for bilateral programmes and performance against those targets.

We are committed to reporting annually on progress against the strategy and targets set out in the White Paper. DFID also operates a policy information marker system (PIMS) to track the targeting of bilateral commitments and expenditure on priority policy objectives of the aid programme. PIMS is being reviewed and revised to ensure that it reflects the new objectives set out in the White Paper. An analysis of PIMS-marked expenditure is provided in the annual report on British Aid Statistics.

On the 20/20 initiative, DIFD has made it clear that it is willing to explore this with interested developing countries. None has as yet indicated an interest in taking this up in the framework of bilateral programme discussions. The White Paper makes clear the Government's commitment to providing support for the social sectors and human development and to working with governments to redirect spending to these services. At the Denver Summit the Prime Minister committed the UK to increased social sector spending in Africa. However, we are as much concerned about the quality of social spending as the levels of expenditure. Our objective is to ensure that our contributions lead to lasting benefits for poor people.

THE AID AND TRADE PROVISION AND MIXED CREDITS

Paragraph 33: Recommendation 16

We wish to be informed of all use of mixed credits by DFID. It is important that any such proposal receive independent scrutiny.

The Government will inform the Committee of all use of mixed credits. The Government has no plans at present, however, to subject mixed credit proposals to independent scrutiny. The potential use of mixed credits as a means to achieve specific country objectives, will be considered in Country Strategy Papers: i.e. within a broad country-specific strategy which will have the primary aim of helping to reduce poverty. A broad consultation process will be undertaken when drafting each paper.

Paragraph 34: Recommendation 17

We recommend that the United Kingdom Government make it a priority of this Parliament to initiate and promote an international campaign for the multilateral untying of aid. This should be combined with the multilateral elimination of export subsidies.

The Government welcomes the Committee's support for multilateral untying. We are actively promoting the OECD's current initiative, aimed initially at untying aid for the least developed countries, and will continue to take every opportunity to pursue this objective.

The White Paper reaffirms our commitment to the effective implementation of the multilaterally agreed disciplines which limit the use of tied aid credits (Helsinki disciplines) which have already had a positive impact internationally on reducing the number of projects receiving export subsidies.

THE PRIVATE SECTOR AND THE COMMONWEALTH DEVELOPMENT CORPORATION

Paragraph 36: Recommendation 18

The White Paper promises "discussions with British business" to support responsible investment and trade, which are important for sustainable development. We recommend that DFID provide more information to the Committee on the form and timetable for these further discussions and report on their content and conclusions. At present the proposals for the involvement of British business as found in the White Paper appear too vague to be very useful.

The Government is in full agreement with the Committee about the vital role of the private sector in development. The White Paper outlines some of the ways in which we hope to encourage businesses to invest in and trade with developing countries. Discussions with business will play an important part in this, as indeed they were in developing the strategy set out in the White Paper and the work undertaken since publication.

We are committed to consulting with the private sector on strategies for the development of particular countries and regions. This consultation will take place both in developing countries and in the UK, generally through existing public-private consultation fora and informal mechanisms. We will also consult private sector organisations based in the UK about the private sector's potential to contribute in specific sectors or areas of focus. These discussions will take place through existing mechanisms, which are both formal and informal, and, where appropriate, by establishing new public-private consultation groups. A public-private consultation group will be set up by DFID to oversee progress in all areas of partnership with the private sector. The first meeting of this group will take place in April. A more informal advisory panel will be used to generate new ideas about the how best to work with the private sector towards the attainment of the international development targets. DFID has already agreed to fund the Ethical Trading Initiative and are developing our approach to socially responsible business.

We welcome the Committee's desire to be informed of the content and conclusions of these discussions and would be glad to discuss the appropriate means of following this up.

Paragraph 37: Recommendation 19

We retain some concerns concerning the Government's plans for the Commonwealth Development Corporation and will examine this question further when more details are announced.

The Department will prepare a separate paper for the Committee on the proposals for CDC.

INVOLVING CIVIL SOCIETY

Paragraph 38: Recommendation 20

We would welcome further acknowledgment in the Government response to this Report that support to and involvement of civil society in developing countries is an essential part of effective policy in all circumstances, not only when partnership with government is impossible.

The Government agrees fully that development of a healthy civil society is an essential component of development and democratisation, and it will be supported in our development programme. It helps poor people to achieve their rights—including their economic, social and cultural rights—when the formal processes of democracy are supplemented by a rich mix of ideas and voices.

Paragraph 40: Recommendation 21

We recommend that the Government response to this Report contain a detailed account of how the Government will include the NGOs in the implementation of its development policy, providing an analysis of those areas where the NGOs enjoy a comparative advantage over government activity.

DFID is reassessing ways of working together with a wide range of organisations outside the public sector. We intend to launch a formal consultation on how we can better work with these organisations in pursuit of the strategy and objectives set out in the White Paper. This will cover community-based organisations, not-for-profit organisations, large international development organisations and advocacy organisations.

As part of this consultation process, DFID will also consider developing further direct funding relationships with international and southern NGOs within bilateral country programmes where a common commitment to poverty elimination can be identified.

In addition discussions will take place with NGOs on winning public support for development, including through development education, and the part they can play through their dialogue with international organisations.

Paragraph 41: Recommendation 22

We recommend that further detail be provided in the Government response of how ethnic minority and refugee groups in the United Kingdom are to be involved in the development process.

The Government shares the Committee's concerns to involve ethnic minority and refugee groups in the development process. The Development Awareness Working Group (DAWG) which will advise the Government both on development education and broader public awareness issues, will include members of ethnic minorities. Its terms of reference also specifically cover the involvement of

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ISBN 0-10-222398-9



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